For the Fiscal Year April 1, 2008 to March 31, 2009

MLCC

MANITOBA LIQUOR CONTROL COMMISSION 86th ANNUAL REPORT 09

MLCC MISSION STATEMENT

To regulate, distribute and sell beverage alcohol, generating revenue for Manitobans within a framework of social responsibility, customer service excellence, business effectiveness and workplace quality.

CORPORATE VALUES

promote the responsible sale and consumption of beverage alcohol and act as a good corporate citizen

foster a positive work force by working together as a team towards our common goals

develop respectful and ethical relationships where we are fully accountable for our actions, decisions and behaviours

provide superior service to our customers, partners and co-workers

embrace change and encourage our employees to be innovative and creative

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CORPORATE VALUES

SOCIAL RESPONSIBILITY	promote the responsible sale and consumption of beverage alcohol and act as a good corporate citizen
IMPORTANCE OF PEOPLE	foster a positive work force by working together as a team towards our common goals
INTEGRITY AND FAIRNESS	develop respectful and ethical relationships where we are fully accountable for our actions, decisions and behaviours
SERVICE EXCELLENCE	provide superior service to our customers, partners and co-workers
CHANGE	embrace change and encourage our employees to be innovative and creative

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GOVERNANCE AND BOARDS

THE BOARD OF COMMISSIONERS is the governing body that oversees the activities of the MLCC. The Board Chair reports to the minister responsible for *The Liquor Control Act*, who, in turn, reports to the Legislative Assembly. The day-to-day operation of the MLCC is the responsibility of the President and Chief Executive Officer (CEO) who reports to the Board.

BOARD OF COMMISSIONERS
(seated l – r) Fran Frederickson (Vice-chair); Carmen Neufeld (Chair); Myrna Phillips

(standing l - r) Les Crisostomo; Garry Hammerback; Janine Ballingall Scotten; Ed Azure; Aidan O'Brien; Eugene Kostyra (missing) Maria Moore

The Board of Commissioners is comprised of 10 Board Members who are appointed by the Lieutenant Governor in Council. One person is appointed as chair and another as vice-chair. The Board meets no less than six times per year and is responsible for the following general governance processes:

- adoption of a strategic planning process, approval of strategic plans and monitoring performance against plans;
- approving annual capital and operating plans and monitoring performance against those plans;
- approving policies and processes to ensure the integrity of the MLCC's internal control and management information systems;
- assessing the contribution of the Board, committees and all Board Members annually;
- preparing recommendation(s) to the minister responsible respecting the appointment or termination of the CEO;
- succession planning, performance evaluation and leadership development for the CEO and senior management;
- approving the standard compensation structure and benefits package for all employees; and
- approving a communications policy for the MLCC.

The Board is assisted by the work of several committees. These committees include:

- Governance Committee;
- Strategic Planning and Budgeting Committee;
- Audit Committee; and
- Human Resources Committee.

In addition, the Board operates under a well-articulated Governance by-law, which includes specific responsibilities for the chair and board members, as well as Terms of Reference for various committees. A corporate Code of Conduct also guides the actions of the Board and all MLCC employees.

THE LICENSING BOARD considers applications for licences and determines the appropriate disciplinary action for breaches of *The Liquor Control Act.* These decisions may be appealed to the Board of Commissioners.

The Licensing Board is comprised of five persons appointed by the Lieutenant Governor in Council. The Board may be called to meet at any time by the Chair of the Board. All meetings of the Licensing Board are open to the public.

LICENSING BOARD
(seated) Vic Wonnacott (Chair); (l - r) Cliff Bernhardt; Dale Neal (Vice-Chair); Les Barrett; Louise Wilson

CHAIR'S MESSAGE

ON BEHALF OF THE BOARD OF COMMISSIONERS, I am pleased to present the 86th Annual Report of the MLCC. This report highlights the F09 achievements in each of the MLCC's five strategic goal areas: Finance, Social Responsibility, Customer Service, Business Effectiveness and Workplace Quality.

F09 was a year of change for the MLCC. We welcomed two new Board members who brought with them a wealth of experience and new perspectives. Change also occurred at the Executive Management level where our multi-year succession planning initiative began to take effect. The Executive Management team welcomed a new Director, Licensing and Inspection and a Chief Information Officer, and prepared to say goodbye to two long-serving members, the Director of Retail Sales, Fred Johnston, and the President and CEO, Don Lussier.

The Board has worked, and succeeded, at developing an excellent working relationship with the MLCC's Executive Management team, which bodes well for the organization as a whole. While change is never easy, we are confident that the incoming Executive members have the experience and the expertise required to lead the organization to continued success in the future.

On a daily basis, the MLCC strives to balance the needs of its retail and commercial customers with a commitment to ensuring beverage alcohol is sold and served in a socially responsible manner. In F09, the MLCC once again demonstrated its keen ability to keep this balance while exceeding its financial obligations to the provincial government and the people of Manitoba.

Operating within Manitoba's stable economy, the MLCC's success in F09 was guided by a sound corporate governance structure, as well as the experience of seasoned senior management who closely monitored financial performance. These factors resulted in the MLCC's best financial return in its 86 year history. To put this return in perspective the net amount of $229.2 million could fund the annual operating costs of four community hospitals.

With a firm plan for financial success, the MLCC's remained staunchly committed to its social responsibility role. The Board is proud of the many public information programs developed by the MLCC in recent years to address such alcohol-related issues as Fetal Alcohol Spectrum Disorder, binge drinking, bar violence, date rape drugs and underage drinking.

In F09, we asked the management to develop a new public information campaign to address impaired driving and to that end approved an increase to the social responsibility budget for this purpose. As the mother of a son who was hit by a drunk driver and lost a close friend in the accident, I am keenly aware that impaired driving continues to occur in Manitoba despite having the toughest drinking and driving laws in the country.

Developing a new campaign takes time and research to ensure that the message is not only seen and heard, but also incites people to make a change. Our new program, called *Be the Change-Let's Stop Impaired Driving* will be launched in the first quarter of F10. With this new campaign we will be asking Manitobans to make a personal commitment and share their ideas to help stop this reckless and potentially fatal behaviour.

The commitment to social responsibility; however, doesn't end with an ad or a tag line. The MLCC is socially responsible in all areas of its activities, whether it's refusing a sale to a minor or working with communities on strategies to reduce over consumption and bootlegging.

These are only a few of the examples of the MLCC's activities over the past fiscal year. Throughout the pages of this report you will find further examples that demonstrate the MLCC's ongoing commitment to providing service excellence to the people of Manitoba.

In closing, I would like to thank the Board of Commissioners and Executive Management for their continued support over the past year. In particular, I would like to thank outgoing President & CEO Don Lussier for 35 years of dedication, leadership and inspiration. Thank you to the management team and the employees of the MLCC for your ongoing commitment to the organization and for your contributions in making F09 our most successful year to date. It is your belief in exemplary service, combined with your commitment to our social responsibility messages; which makes the MLCC a place of pride for all of us!

CARMEN NEUFELD
Chair, Board of Commissioners

PRESIDENT'S MESSAGE

I AM PLEASED TO REPORT THE MLCC RETURNED **record profits of $229.2 million** to the Government of Manitoba for F09.

F09 marks my last year as President & CEO and in looking back over the last nine years, there is much to reflect on and to celebrate. While I am proud of our financial performance over the years, I am equally proud of our accomplishments in other areas of our business.

Our commitment to social responsibility continues to grow. In public polls, Manitobans have indicated that they want and count on the MLCC to ensure that alcohol is sold in a socially responsible manner. To that end, we have steadily increased our budget for social responsibility programs over the year and in F09, our budget for social responsibility programs and initiatives was the highest per capita in Canada.

We also have set very high expectations for our front line employees who are charged everyday with ensuring the responsible sale of beverage alcohol. Professional shoppers ensure Liquor Mart employees are asking for photo id from anyone who appears under the age of 25. I am proud to say our Liquor Marts scored a 100% rating for these shops in F09.

Customer service has long been a hallmark of Liquor Marts, and we've built a strong reputation for friendly, knowledgeable service. Over the past nine years, our customer traffic has increased 30% from six million to eight million customers annually. This didn't happen by chance. We've worked hard to ensure customers are receiving the best possible service and a positive shopping experience when they walk through the doors of a Liquor Mart. Our F09 customer survey showed an average 92% satisfaction rating from Liquor Mart customers.

Continuous improvement has been a way of life at the MLCC and our store development program ensures Liquor Marts remain modern and convenient to better serve our customers. This past year, we renovated our Madison Square location in Winnipeg and opened two new stores – one in Brandon and one in Steinbach. We are nearing completion on the first phase of our Records Management Project to identify and catalogue our records, and continued our efforts toward replacing an outdated point-of-sale system. We strengthened our commitment to sustainable development by hiring our first ever Sustainable Development Coordinator; eliminating plastic bags at Liquor Marts; reducing waste at Head Office and Liquor Marts; and reducing our energy consumption in the Distribution Centre.

While the business side of our organization is continuing to thrive and grow, I am extremely proud of our efforts within the workplace. For the third consecutive year, the MLCC was recognized as a Top 100 Employer in Canada and Top 20 Employer in Manitoba. The MLCC has created an inclusive culture that encourages and supports employee involvement at all levels of the organization. Our employees are engaged and dedicated to the success of the MLCC and to providing the best possible service to the people of Manitoba.

In closing, I would like to thank all employees of the MLCC for your enthusiasm and commitment over the past nine years. It has been a pleasure to lead you. Thank you to the Executive Management and the entire management team at the MLCC for your support over the years and for sharing my passion and vision for the MLCC. Lastly, thank you to the Board of Commissioners for your unwavering support, your guidance and your direction over the years. Our accomplishments and achievements have been the result of a true team effort. I am proud to have been a part of it and wish the organization continued success in the years ahead.

DON LUSSIER
President & CEO

BUSINESS PLAN review

THE MLCC'S STRATEGIC PLAN is comprised of five goal areas. These areas provide the blueprint for incorporating the mission statement and corporate values into our daily activities and form the basis of the Business Plan. The five goal areas :

FINANCIAL

SOCIAL RESPONSIBILITY

CUSTOMER SERVICE

BUSINESS EFFECTIVENESS

WORKPLACE QUALITY

The following is a review of the annual Business Plan and highlights the MLCC's accomplishments in F09.

GROWING FOR THE FUTURE

FINANCIAL: $229.2 MILLION

Every Friday, the MLCC makes a deposit into the provincial treasury in support of Manitoba programs and services in the area of health care, education, social services and community projects. In F09, the total return to the provincial government was the largest in our history: $229.2 million!

SOCIAL RESPONSIBILITY:

Social responsibility is incorporated into all of the MLCC's activities; from education and enforcement of *The Liquor Control Act* to public awareness and education on the responsible consumption of alcohol. Programs and initiatives to address alcohol-related issues address Fetal Alcohol Spectrum Disorder (FASD), binge drinking, minors and alcohol, bar violence and date rape drugs.

CUSTOMER SERVICE:

With a solid reputation for excellence in customer service, the MLCC is committed to ongoing employee training and education, and the right mix of products and store locations. This past year, a new third Liquor Mart opened in Brandon and a new Liquor Mart opened in Steinbach. This brings the total number of Liquor Marts serving Manitobans to 50 stores province-wide.

BUSINESS EFFECTIVENESS:

The MLCC continues to meet the growing demands from both our commercial and retail customers through upgrades to our point-of-sale system in Liquor Marts, and ongoing technological changes. These significant investments will assist the MLCC in meeting its operational obligations well into the future.

WORKPLACE QUALITY:

To ensure we can meet growing customer service expectations, we're committed to providing a workplace environment that is challenging and inclusive, and allows employees to reach their full potential through training and support. For these efforts, we're proud to be named a Top 100 Employer in Canada and a Top 20 Employer in Manitoba for 2009 for the third consecutive year.

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President & CEO

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financial

GOAL:

Meet the net profit requirements of the Manitoba Government through the controlled sale of beverage alcohol.

OBJECTIVES:

Meet the net profit requirements of the Manitoba Government.

PERFORMANCE RESULTS:

Each year, the MLCC creates a budget to achieve a net profit that it expects to turn over to the Manitoba Government for the fiscal year. The net profit amount is agreed upon with the government and forms part of the Provincial Budget. To achieve its financial objectives, the MLCC sets targets for all sales areas. In F09, net profit exceeded budget by almost 1%.

Net Profit Target:	**$227.3 million**
Net Profit Actual:	**$229.2 million**

Net profit increase is due to volumes that exceeded budget in all categories, except wine. In particular, beer volumes were well above budget. Customers also paid less than expected for spirits and wine, but paid more than expected for coolers and beer. A price increase was expected from suppliers; however, this increase did not occur.

F09 saw the continuation of a consumer trend toward the purchase of premium-priced products. This trend, along with the MLCC strategy to focus its marketing efforts on premium products, resulted in the deluxe/premium spirits category achieving a 67% share of market. This is the highest share of market ever achieved by this category.

G & A expenditures are 5.5 million or 8% less than budget.

The MLCC continued to monitor prices through a cross-Canada pricing comparison with an aim to being competitive with Saskatchewan and Ontario. In F09, MLCC prices were somewhat higher than Ontario, but most prices remained lower than Saskatchewan.

Manitobans continued to enjoy the lowest prices in the country for domestic beer.

Spirits – Deluxe/Premium Category
Share of Market: Target: 61.8%
Actual: 67.1%

NET PROFIT: **$229.2 MILLION** RETURNED TO MANITOBANS!

SOCIAL responsibility

GOAL:

Promote the safe consumption and responsible service of beverage alcohol to Manitobans through education and regulation.

OBJECTIVES:

1. Support programs to promote the socially responsible consumption of beverage alcohol, setting aside a minimum of 0.2% of estimated gross profit to fund these programs.
2. Optimize compliance with *The Liquor Control Act*.

PROGRAMS:

SHOW YOUR AGE – The MLCC's age identification program is promoted through posters and promotional decals within Liquor Marts and licensed premises. Under this program, anyone purchasing alcohol who appears to be under the age of 25, must show valid photo-identification.

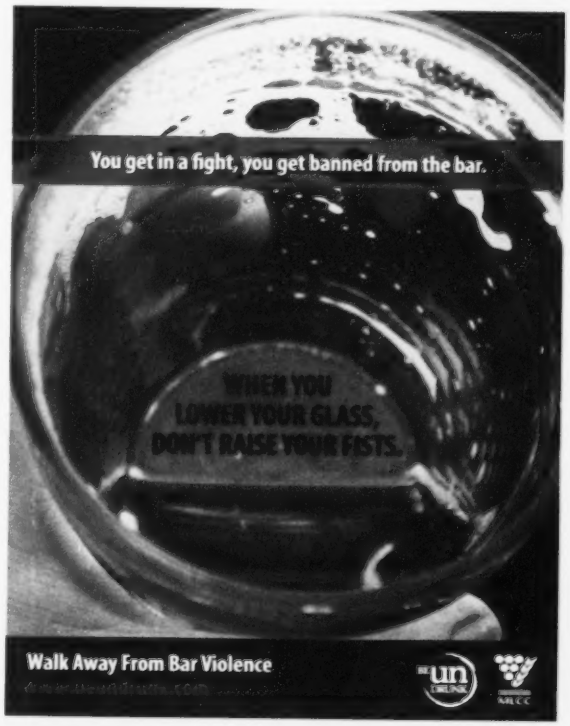
To enhance public recognition for its social responsibility programs, the MLCC has branded its newer public information programs under a "Be" umbrella. The "Be" represents a positive choice that adults can make with regard to alcohol use.

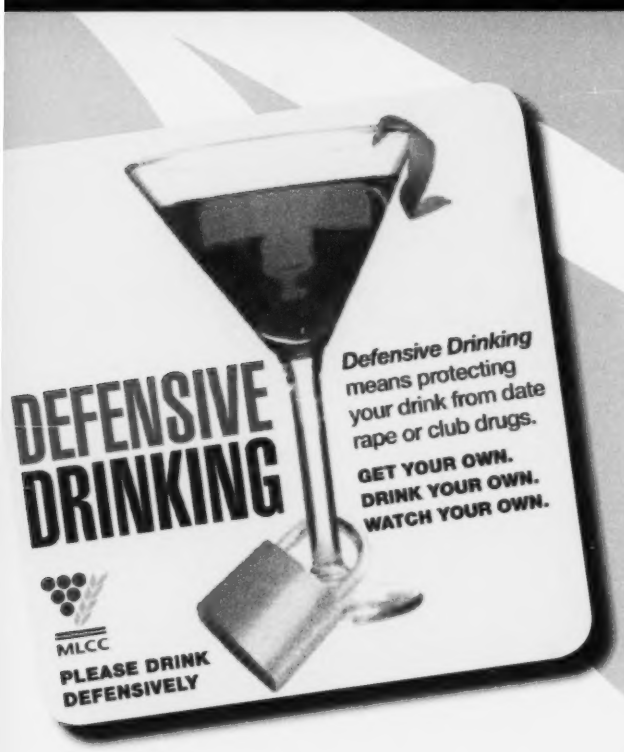
BE THE INFLUENCE – This program is aimed at helping parents talk to their children about alcohol. A new television ad promoting the program, the web site and a free information booklet aired during the third quarter of the year.

BE WITH CHILD – WITHOUT ALCOHOL – The message that alcohol is the only cause of FASD continued to be promoted throughout the year on Environment Canada's Weather Channel. In addition, the program was promoted through television ads, print ads in targeted magazines, posters, the MLCC web site and on Liquor Mart till tapes and bags.

BE UNDRUNK/WALK AWAY FROM BAR VIOLENCE – To fulfill its commitment to the *Report on Safety in Licensed Premises*, radio ads and a poster for licensed premises were developed with the message: *Walk Away from Bar Violence – Be Undrunk*. Radio ads aired in the second and third quarters and a poster was distributed to licensed premises.

BE THE CHANGE – LET'S STOP IMPAIRED DRIVING – A program to address impaired driving was developed in F09 and will be launched early in F10.


You get in a fight, you get banned from the bar.
WHEN YOU LOWER YOUR GLASS, DON'T RAISE YOUR FISTS.
Walk Away From Bar Violence
undrunk
MLCC



The MLCC is a member of the Canadian Association of Liquor Jurisdictions (CALJ) and has representation on CALJ's Social Responsibility Committee. The committee developed a national poster campaign to promote moderation as a responsible approach to alcohol consumption. The poster campaign was launched by most liquor jurisdictions during February 2009. Due to a provincial by-election, the MLCC will launch the poster in Liquor Marts early in F10.

SAFE RIDE HOME

As part of its commitment to social responsibility, the MLCC sponsors the #TAXI program for cell-phone users and Operation Red Nose during the holiday season.

COMMUNITY SUPPORT

The MLCC continued to support the Thompson Downtown Strategy to address alcohol related issues in the city. In January 2009, the MLCC reduced the maximum bottle purchase at the Thompson Liquor Mart and selected northern liquor vendors to curb bootlegging.

Financial support also continued for the sherry bottle pick-up program in both Thompson and The Pas.

The Board of Commissioners approved minimum pricing on single-serve beer products to help address issues of public intoxication and the consumption of alcohol in public places within Winnipeg's downtown core. The price change will take effect early in F10.

The MLCC also supports and participates on numerous community committees to address alcohol-related issues, such as Mothers Against Drunk Driving (MADD); Non-Potable Abuse Committee; Manitoba Addictions Awareness Week Committee; and the Downtown Winnipeg BIZ Association.

LICENSING & INSPECTION

The MLCC continued to balance education and enforcement to ensure compliance with *The Liquor Control Act.*

Licensing & Inspection uses a risk-based inspection program dependent upon the type of licence held and the previous history of operation. Establishments where liquor is the primary component of the operation, such as a beverage room, cabaret, beer vendor, and cocktail lounge, are inspected more frequently than those where food is the primary component of the operation. The average number of inspections by licence type was on target in F09.

Progressive disciplinary action is recommended for those licensees, permittees and banquet hall operators who continue to breach *The Liquor Control Act*.

NUMBER OF INSPECTIONS:

Licensed Premises	**Target: 25,000** **Actual: 27,112**
Sale Permit Functions	**Target: 20%** **Actual: 22.6%**
# of Inspections with No Breaches	**Target: 97%** **Actual: 97%**

NUMBER OF EDUCATIONAL SEMINARS:

Licensed Premises	**Target: 100** **Actual: 174***
Permitees/Banquet Hall Operators	**Target: 80** **Actual: 81**

*additional seminars were conducted to address breaches of *The Act.*

RETAIL SOCIAL RESPONSIBILITY SHOPS

The MLCC uses professional shoppers to shop its Liquor Marts and rates staff on frequency of checking photo-identification for proof of age.

Target: 100% rating per store

Actual: All Winnipeg and Brandon stores scored 100%, except one store on one occasion.

CHALLENGES AND REFUSALS

In addition to asking customers for proof of age, Liquor Mart employees also refuse service to minors and impaired customers.

Proof of Age Requests:	**F09: 294,907** **F08: 231,691***
Minors Refused:	**F09: 14,432** **F08: 13,161***
Impaired Refused:	**F09: 9,496** **F08: 8,026***

* Amounts reported in F08 Annual Report were understated in error.

LEGISLATIVE CHANGES:

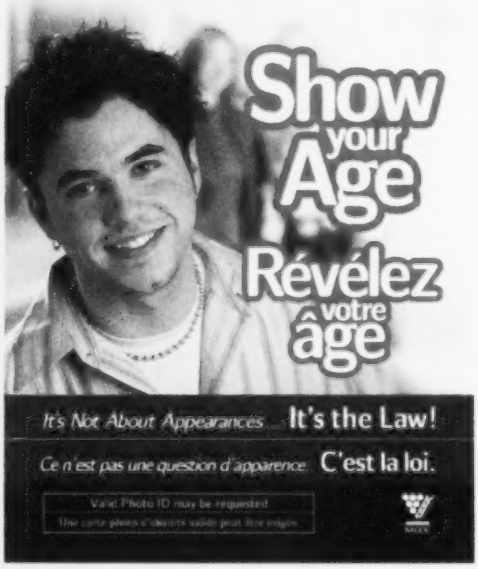
THE LIQUOR CONTROL ACT

Bill 19, *The Liquor Control Amendment Act* was proclaimed. The Bill was proclaimed and became law on August 1, 2008. *The Liquor Control Act* was amended to:

- Allow the MLCC President & CEO to close or prohibit the sale of liquor from a licensed premises for public interest concerns;
- Allow the MLCC the authority to conduct a safety evaluation of the premises and require changes be made in the event of a serious incident resulting in injury or death;
- Require the holder of a cabaret licence to clear premises of patrons within 60 minutes after the time liquor service is required to cease;
- Allow minors to enter a beverage room for an MLCC approved family-oriented event;
- Allow the holder of a sports facility licence to serve liquor to a minor with a meal in the presence of their parent, spouse or guardian;
- Allow the Licensing Board to impose monetary penalties for breaches under *The Liquor Control Act* or regulations as well as licence suspensions or cancellation of a licence;
- Require an applicant for new premises, in the required public notice, to state the maximum hours during which liquor may be served under the proposed licence rather than the hours the applicant intends to serve liquor;
- Allow licensees to serve up to two drinks to a patron at one time with continued restrictions on the amount of liquor that can be served;
- Allow for the estate sale/auction of liquor collections; and
- Allow liquor suppliers to donate rare or expensive product to an association, society or organization authorized under *The Charities Endorsement Act* to conduct an auction for charitable purposes.

REGULATIONS:

- 176/94 Licence Application & Appeal Regulation amended by M/R 75/2008 and became law on April 12, 2009, requiring an applicant for a cocktail lounge, beverage room, cabaret or spectator activities licence to submit a security plan in support of their application for licence.
- 177/94 Liquor Licensing Regulation amended by M/R 76/2008 and became law on April 12, 2009, requiring a licensee to notify the MLCC of the primary manager responsible for licensed premises, and provide a criminal record check and personal history report for their primary manager.
- 176/94 Licence Application & Appeal Regulation amended by M/R 139/2008 and became law on September 13, 2008, to update wording consistent with August 1, 2008 changes to *The Liquor Control Act*.



CUSTOMER service

GOAL:

Deliver excellent customer service to our retail and commercial customers.

OBJECTIVES:

1. Enhance service to our public customers by continuing to elevate customer service levels to meet increasing expectations.
2. Enhance service to commercial customers by continuing to elevate customer service levels in response to increasing expectations.

PERFORMANCE RESULTS:

PUBLIC CUSTOMER SATISFACTION SURVEY:

Target: 90%

Achieved:	**Winnipeg**	**96.8%**
	Brandon	**95.5%**
	Thompson	**97%**

SERVICE SHOP RATINGS LIQUOR MARTS:

Target: 90%

Achieved:	**Winnipeg**	**86%**
	Brandon	**97%**
	Rural	**90%**

GROWTH IN LIQUOR VENDOR SALES:

Target:	2.9% less than % sales growth for Liquor Mart
Achieved:	**0.5% less than % sales growth for Liquor Marts**

LIQUOR MART DEVELOPMENT:

THE PAS – The Liquor Mart was relocated and a new store opened on December 10, 2008.

BRANDON – A new Liquor Mart opened in the Corral Centre on December 19, 2008.

STEINBACH – A new Liquor Mart opened March 20, 2009.

WINNIPEG:

Madison Square Liquor Mart and Bottle & Cork was renovated.

Discussions and plans continued for a new store in the Tyndall Market Mall for F10.

Discussions regarding store relocation continued with Crestview Shopping Centre and Kenaston Crossing.

COMMUNITY SUPPORT

Manitoba Liquor Marts continue to assist communities with hosting wine festivals in support of community and charitable organizations. These events also provide the MLCC with opportunities to enhance product knowledge. The largest event is the Winnipeg Wine Festival, held each May in support of Special Olympics Manitoba.

Throughout the year, the MLCC also helps to support over 100 charitable organizations involved in health, community, arts and sports programs through sponsorships, an in-store coin box program, and customer "Donate-A-Dollar" programs.

WINE FESTIVALS AND TASTINGS

COMMUNITY	AMOUNT RAISED	RECIPIENT
Brandon (Westman Wine Festival)	$13,185	Brandon Rotary Club (Elspeth Reid Family Resource Centre)
Carman	$1,387	Carman Active Living Centre
Dauphin	$6,795	Dauphin Rotary Club
Flin Flon	$4,600	Flinty Committee
Gimli	$2,255	Gimli Rotary Club and Westshore Foundation
Neepawa	$2,805	Viscount Cultural Centre
Pine Falls	$4,356	Powerview School Playground & Pine Falls Curling Club
Portage la Prairie	$3,315	William Glesby Centre
Roblin	$2,644	Life & Art Centre
Russell	$3,500	Russell Recreation Commission
Swan River	$2,355	Swan River Ladies Curling Club
Thompson	$4,828	Thompson Community Foundation
Winnipeg	$19,947	Flatlander's Spirit Festival in support of Manitoba Moose Yearling Foundation
	$41,335	Flatlander's Beer Festival in support of Manitoba Moose Yearling Foundation
	$275,000	Winnipeg Wine Festival in support of Special Olympics Manitoba

PRODUCT EDUCATION

To help facilitate the demand for public courses, a second Education Training Centre was constructed during the renovation of the Madison Square Liquor Mart. Product Ambassadors conducted 39 public education courses for 481 attendees in F09. These courses include training sessions for Liquor Mart product consultants and staff, liquor vendors, as well as food and product pairing sessions for the public.

The Product Ambassadors, in conjunction with the Assiniboine Park Conservatory, also conducted 43 product education courses for 545 people.

In January 2009, four product education courses were conducted in Brandon by MLCC Product Ambassadors and a Brandon Product Consultant. The courses covered scotch whiskey; wine and appetizers; wine and chocolate; and wines from around the world

PRODUCT AMBASSADORS
(l – r) Steve Moran, Carol Herntier, Sheila Nash, Jamie Jette, Gary Dawyduk.

SERVICE RECOGNITION

For the second consecutive year, Winnipeg Liquor Marts received the 2008 Consumers' Choice award for "Liquor and Wine" for excellence in quality, service, value and store appearance. The award was presented at a Gala Dinner in July 2008.

BUSINESS effectiveness

GOAL:

Manage processes and systems efficiently and economically.

OBJECTIVES:

1. Initiate programs that consistently demonstrate the MLCC as a leader among Canadian liquor jurisdictions and Manitoba Crown Corporations.
2. Act as a good corporate citizen ensuring our actions align with the social, economic and environmental well-being of the communities in which we operate.

PERFORMANCE RESULTS:

G & A EXPENSES: **Target: $69.2 million**
Achieved: $63.7 million

Note: Expenditures are $5.5 million or 8% less than budget. Pension expenses were reduced by $1.8 million based on the latest actuarial report and by $1 million for interest on funds transferred from the Province. Further savings were realized due to the delay/deferral of opening new stores and in the implementation of the new POS system.

The MLCC annually reviews productivity and the cost-effectiveness of strategies to determine the most efficient way of handling inventory at its Liquor Marts and Distribution Centre. Targets are set for productivity for both the Retail and Purchasing divisions and the Distribution Centre.

NEW POINT-OF-SALE PROJECT (CHEERS)

A project to replace the MLCC's aging point-of-sale system was initiated in F08 and is ongoing. The project is currently within budget, but implementation is expected to be delayed until late F10.

RECORDS MANAGEMENT

The first phase of the project; which involved conducting a record inventory, and establishing information flows and a classification system, is 85% complete. An RFP for software and implementation services was issued in March 2009.

LIQUOR MARTS

MEASURE	TARGET	ACHIEVED
In-Stock Service Levels	**94%**	**98.8%**
Productivity (Units/Labour Hour)	**Winnipeg – 34.5** **Rural – 30.5**	**32.4** **29.7**
Inventory Turns (rolling 12 months)	**Winnipeg – 12.3** **Rural – 10.3**	**11.7*** **10**

*Winnipeg turns less than target due to early distribution of imported Christmas stock, higher beer inventories due to supply issues with BDL, increased listings resulting from clustering initiative and timing of the year end count in the Distribution Centre.

PURCHASING AND DISTRIBUTION CENTRE

MEASURE	TARGET	ACHIEVED
Cases per Labour Hour	**28.35**	**28.32**
Inventory Turns (rolling 12 months)	**7.5**	**7.25**
In-stock Service Levels (general listings)	**96%**	**97%**

PRODUCT LISTINGS

SPIRITS

General	518
Specialty	341

WINE

General	1,157
Specialty	1,522

BEER

MLCC Distributed	79
Privately Distributed	430

REFRESHMENT BEVERAGES (COOLERS/CIDERS)

General	69
Specialty	9

Total: 4,125 (active listings as at March 31, 2009)

SUSTAINABLE DEVELOPMENT ACCOMPLISHMENTS

The MLCC remains committed to supporting sustainable development activities under its Sustainable Development Action Plan for F08-F10.

F09 HIGHLIGHTS:

- A Sustainable Development Coordinator was hired to oversee and manage all sustainable development initiatives at the MLCC.
- The MLCC discontinued the use of plastic bags within Liquor Marts preventing an estimated 2.8 million bags from entering Manitoba landfills. In addition to paper and cloth bags, a reusable polypropylene 'envirobag' was introduced and well received by customers.
- A waste management plan was implemented to reach a goal of 80% waste diversion by November 2009. The plan included the elimination of polystyrene foam products.
- Approximately 2,500 lbs of e-waste was diverted from landfill through donations and electronics recycling.
- A battery recycling program was implemented.
- Expanded the line of fair trade certified wines offered in Liquor Marts.
- Green building strategies were incorporated through the installation of dual flush toilets, and energy efficient lighting in Liquor Marts and Head Office.
- Lighting in the Distribution Centre was replaced with efficient T-5 light bulbs.

SPONSORSHIPS

Throughout the year, the MLCC supported hundreds of community and charitable organizations, as well as sports and arts groups through sponsorships, silent auction donations and in-store fundraising activities.

SPONSORSHIPS IN F09 INCLUDED:

Alzheimer Society
Assiniboine Community College Foundation
Brandon Wheat Kings
CancerCare Manitoba
Central Speech and Hearing Clinic
CNIB
Dauphin's Countryfest
Festival du Voyageur
Folklorama
Gimli Film Festival
Habitat for Humanity
Heart and Stroke Foundation
Manitoba Moose
Manitoba Museum
Osborne House
Portage la Prairie - Island of Lights
Riverview Health Foundation
Royal Winnipeg Ballet
SCE Lifeworks
Special Olympics Manitoba
United Way
Victoria General Hospital Foundation
Winnipeg Blue Bombers
Winnipeg Folk Festival
Winnipeg Fringe Festival
Winnipeg Goldeyes
Winnipeg Harvest
Winnipeg Humane Society
Winnipeg Symphony Orchestra

ENTERPRISE RISK MANAGEMENT

A strategic planning session was conducted to launch an Enterprise Risk Management initiative and an action plan was developed for implementation in F10.

INTERNAL AUDIT

The MLCC continues to monitor internal operational activities, as well as activities of its business partners. The MLCC works with its business partners to address and resolve issues arising from the audit process.

WORKPLACE quality

GOAL:

Create a fair and equitable work environment that is challenging, diverse and inclusive.

OBJECTIVES:

1. Enhance an inclusive culture that encourages participation of all employees.
2. Ensure a flexible, well-trained staff and management workforce that has the capability to undertake new responsibilities.
3. Maintain a work environment that enables employees to meet their responsibilities and achieve our objectives.

PERFORMANCE RESULTS:

TRAINING

With a focus on customer service, the MLCC continued to make employee training an important priority. The following training courses and awareness sessions were conducted:

Store Manager Development Program

Basic Wine Product Knowledge Course

Higher Certificate Product Course

Supplier seminars (wine & spirits) for Retail staff and Product Ambassadors

Non-violent Crisis Intervention

It's Good Business responsible service training

Security, Privacy and Whistleblower Awareness sessions

Working Smaart sessions

Health and Safety awareness

Back Safe

Business Writing

Certified Food Handlers' Program

CMBTC Beer Training Program

Liquor Vendor/Rural Store Product Training Seminar

New Liquor Mart Staff Training Sessions (Steinbach, Brandon)

COMMUNICATING THE STRATEGIC PLAN

Management continued discussions with staff about their role and contribution to the Strategic Plan. In addition, meetings were held with employees to discuss the MLCC's Values and how they are demonstrated through daily activities. Results of an employee engagement survey indicates these discussions are successful in ensuring employee understanding of their contribution to the success of the MLCC.

DIVERSITY

The MLCC continued to support its Aboriginal Employment Initiative to ensure diversity in its workforce. In F09, the MLCC entered into a partnership with Manitoba Lotteries Corporation to enable the extension of the Aboriginal Internship program.

ABORIGINALS HIRED OR PROMOTED:
Target: 8

Actual: 6 Aboriginal staff promoted/ 3 Aboriginal interns hired.

AWARD RECOGNITION

For the third consecutive year, the MLCC has been named one of the Top 100 Employers in Canada and one of the Top 20 Employers in Manitoba for 2009.

HEALTH AND WELLNESS

An Employee Wellness program was re-launched in early F09. Initiatives include a fitness challenge and a Wellness Day to promote good nutrition and injury prevention.

JOB HAZARD ANALYSIS

Job hazard analyses continued for Retail Sales, the Distribution Center, Quality Control and Inspection Services. Health and safety initiatives were implemented for Maintenance, including the drafting of a contractor safety program.

LEADERSHIP DEVELOPMENT PROGRAM

The MLCC launched its middle-management development program, and presented two sessions on leadership.

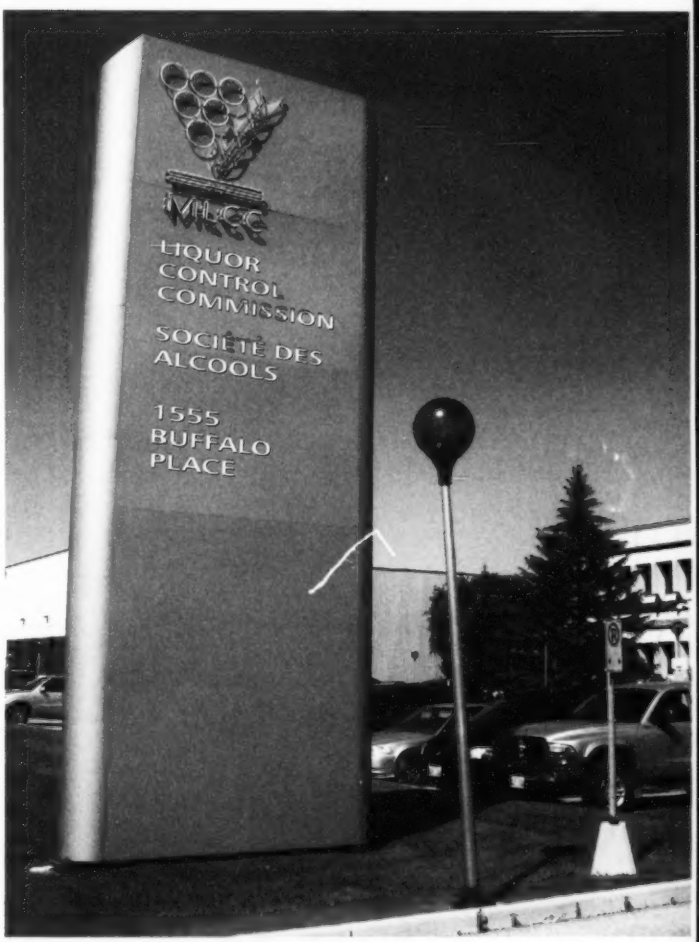
SCHOLARSHIP PROGRAM

Four university scholarships were awarded to children of MLCC employees under the MLCC's Scholarship Program announced in F08.

F09 AWARDS OF DISTINCTION WINNERS
(l – r) Karen Greenhill, Crowning Achievement Award; Sandi Masserey, Customer Service Excellence Award; Margaret Mushumanski, Community Service Award.

AWARDS OF DISTINCTION

In F09, the MLCC introduced a new level of award recognition for its employees. The Awards of Distinction are intended to recognize superb contributions to the MLCC and the community across a number of categories, such as Community Service; Business Innovation; Leadership and Customer Service Excellence. Three MLCC employees were honoured with Awards of Distinction at the Managers' Conference in September, 2008.



FACILITIES

Renovations were substantially completed for the second floor administrative areas at Head Office. Renovation of the cafeteria was deferred to F10.

WHISTLEBLOWER LEGISLATION

In compliance with *The Public Interest Disclosure (Whistleblower Protection) Act*, the MLCC conducted eight employee awareness sessions in F09.

There are no disclosures to report in F09.

FINANCIAL STATEMENTS
86th ANNUAL REPORT 09

MANAGEMENT REPORT
MARCH 31, 2009

The accompanying financial statements are the responsibility of Management and have been prepared in accordance with the accounting policies disclosed in Note 2. In Management's opinion, the financial statements have been properly prepared and of necessity, include some amounts based upon Management's best estimates and judgements.

As Management is responsible for the integrity of the financial statements, Management has established systems of internal control to provide assurance that assets are properly accounted for and safeguarded from loss.

D.V. LUSSIER
President & Chief Executive Officer

INGRID LOEWEN
Chief Financial Officer

AUDITORS' REPORT

To the Board of Commissioners of
The Liquor Control Commission

We have audited the balance sheet of **The Liquor Control Commission** [an Agency of the Government of the Province of Manitoba] as at March 31, 2009 and the statements of income and cash flows for the year then ended. These financial statements are the responsibility of The Liquor Control Commission's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of The Liquor Control Commission as at March 31, 2009 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Ernst & Young LLP

Chartered Accountants

Winnipeg, Canada
May 8, 2009

BALANCE SHEET [IN THOUSANDS OF DOLLARS]

AS AT MARCH 31

	2009 $	2008 $
ASSETS		
Current		
Cash and cash equivalents	**9,273**	10,024
Accounts receivable	**22,066**	21,669
Inventory *[note 6]*	**35,779**	34,052
Prepaid expenses	**944**	972
Total current assets	**68,062**	66,717
Cash [restricted] *[notes 10 and 11]*	**46,284**	45,271
Property and equipment, net *[note 9]*	**27,151**	23,117
	141,497	135,105
LIABILITIES		
Current		
Accounts payable - trade and other	**41,394**	36,596
Current portion of obligation under capital lease	**61**	–
Goods and Services Tax payable	**994**	1,029
Manitoba Retail Sales Tax payable	**1,381**	1,398
Net profit payable to the Province of Manitoba	**42,563**	41,141
Environmental Protection Tax payable	**133**	135
Deferred licence fees	**292**	351
Total current liabilities	**86,818**	80,650
Obligation under capital lease	**146**	–
Provision for employee pension benefits *[note 10]*	**51,213**	51,124
Provision for retirement allowances *[note 11]*	**3,320**	3,331
	141,497	135,105

See accompanying notes

On behalf of the Commission:

Chair of the Board

Chair of the Audit Committee

President and Chief Executive Officer

Chief Financial Officer

STATEMENT OF INCOME [IN THOUSANDS OF DOLLARS]

09

	2009 $	2008 $
Sales *[schedule]*	**583,763**	554,769
Cost of sales *[schedule]*	**295,522**	279,543
Gross profit *[schedule]*	**288,241**	275,226
Other income *[note 7]*	**4,591**	4,978
	292,832	280,204
General and administrative expenses *[note 8]*	**60,355**	58,328
Depreciation	**3,313**	2,666
Net profit paid or payable to the Province of Manitoba	**229,164**	219,210

See accompanying notes

STATEMENT OF CASH FLOWS [IN THOUSANDS OF DOLLARS]

YEAR ENDED MARCH 31

	2009 $	2008 $
OPERATING ACTIVITIES		
Cash receipts		
Sales - spirits, wine, coolers/ciders and beer	**582,252**	554,026
Annual and supplementary licence fees and other	**6,130**	3,798
Goods and Services Tax	**29,653**	32,641
Manitoba Retail Sales Tax	**19,619**	18,505
Manitoba Waste Reduction and Prevention Levy	**490**	485
Environmental Protection Tax	**1,983**	1,943
	640,127	611,398
Cash disbursements		
Purchases - merchandise, federal duty, excise and sales taxes, etc.	**292,639**	283,973
General and administrative expenses	**61,440**	55,997
Goods and Services Tax	**29,687**	33,791
Manitoba Retail Sales Tax	**19,636**	18,411
Manitoba Waste Reduction and Prevention Levy	**491**	485
Environmental Protection Tax	**1,985**	1,941
	405,878	394,598
Net cash available from operating activities	**234,249**	216,800
INVESTING ACTIVITIES		
Acquisition of property and equipment	**(7,258)**	(11,206)
Net cash available for transfer	**226,991**	205,594
TRANSFERS TO PROVINCE OF MANITOBA		
Current year's net profit	**186,601**	178,069
Prior year's net profit	**41,141**	24,644
	227,742	202,713
Net increase (decrease) in cash and cash equivalents during the year	**(751)**	2,881
Cash and cash equivalents, beginning of year	**10,024**	7,143
Cash and cash equivalents, end of year	**9,273**	10,024

See accompanying notes

SCHEDULE OF SALES, COST OF SALES AND GROSS PROFIT [IN THOUSANDS OF DOLLARS]

YEAR ENDED MARCH 31

09

	Spirits $	Wine $	Coolers/ Ciders $	Beer $	Total $
SALES					
Stores	**141,734**	**84,375**	**13,009**	**40,462**	**279,580**
Liquor vendors	**35,813**	**9,415**	**3,758**	**5,906**	**54,892**
Licensees	**20,436**	**5,177**	**1,949**	**208,369**	**235,931**
Speciality wine stores	**33**	**13,257**	**70**	**—**	**13,360**
Total sales for 2009	**198,016**	**112,224**	**18,786**	**254,737**	**583,763**
Total sales for 2008	**189,932**	**105,656**	**17,110**	**242,071**	**554,769**
COST OF SALES					
Total cost of sales for 2009	**78,550**	**51,568**	**8,832**	**156,572**	**295,522**
Total cost of sales for 2008	75,018	48,135	8,006	148,384	279,543
Gross profit for 2009	**119,466**	**60,656**	**9,954**	**98,165**	**288,241**
Gross profit for 2008	114,914	57,521	9,104	93,687	275,226

See accompanying notes

NOTES TO FINANCIAL STATEMENTS [IN THOUSANDS OF DOLLARS]

YEAR ENDED MARCH 31

1. NATURE OF ORGANIZATION

The Liquor Control Commission [the "MLCC"] was formed in 1923 as an agency of the Government of Manitoba under *The Liquor Control Act.* The MLCC's mandate is to purchase, sell and regulate alcoholic beverages; to determine locations for retail liquor outlets; to licence and regulate facilities used by the consuming public; to provide revenue to the Province of Manitoba from the activities of the MLCC; and to do all such things necessary to effect the provisions of *The Liquor Control Act.*

2. SIGNIFICANT ACCOUNTING POLICIES

[a] Cash and cash equivalents include cash on hand, balances with banks and outstanding electronic fund transactions forwarded to banks.

[b] Cash and cash equivalents [restricted] consist of cash balances held in a trust account which has been advanced by the Province of Manitoba to fund employee pension and retiring allowances benefits.

[c] Accounts receivable include electronic fund transactions to be forwarded to banks after March 31.

[d] Inventories of goods for resale are valued at the lower of average cost and net realizable value.

[e] Revenue is recognized at the time the product is shipped, title passes, the sales price is fixed and determinable, and collectibility is reasonably assured.

[f] Property and equipment are recorded at cost less accumulated depreciation. Depreciation is provided on the declining balance basis at the following annual rates:

Automobiles	30%
Equipment and furnishings	20%
Paving	8%
Systems development	30%

Leasehold improvements are depreciated on a straight-line basis over the remaining term of the lease or a minimum of five years.

Buildings are depreciated on a straight-line basis over 40 years.

Equipment under capital lease is depreciated on a straight-line basis over the term of the lease.

[g] Substantially all of the employees of the MLCC are eligible for pension benefits based on length of service and average annualized earnings calculated on the best five years prior to retirement, termination, or death that provides the highest earnings. Pension costs, included in salaries, benefits and pension costs, consist of the employer's share of pension benefits paid to retired employees, as well as the increase in unfunded pension liabilities during the fiscal year. This liability is determined actuarially every three years with the balances for the intervening years being determined by formula provided by the actuary as detailed in note 10. Actuarial gains and losses are recognized in income immediately as detailed in note 10.

[h] In preparing the MLCC's financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenue and expenses during the period. Actual results could differ from these estimates.

[i] The MLCC's financial assets and financial liabilities are measured as follows:

Cash and cash equivalents are classified as held for trading and measured at fair value. The gains or losses arising on the revaluation to fair value at the end of the period are included in net income.

Accounts receivable are classified as loans and receivables and recorded at cost, which upon initial recognition is equal to their fair value. Subsequent measurements are recorded at amortized cost using the effective interest method.

Accounts payable, obligation under capital lease, net profit payable to the Province of Manitoba, and other taxes payable are classified as other financial liabilities and are initially measured at their fair value. Subsequent measurements are recorded at amortized cost using the effective interest rate method.

It is management's opinion that the MLCC is not exposed to significant interest rate, currency, liquidity, or credit risks arising from these financial instruments. The fair values of the MLCC's financial instruments approximate their carrying value unless otherwise stated due to the short period between initial recognition and subsequent settlement.

3. CHANGES IN ACCOUNTING POLICIES

Effective April 1, 2008, the MLCC prospectively adopted the Canadian Institute of Chartered Accountants ["CICA"] Section 1535, "Capital Disclosures", Section 3862, "Financial Instruments – Disclosures", Section 3863, "Financial Instruments – Presentation", and Section 3031, "Inventories".

The adoption of Section 1535 resulted in additional disclosure requirements in presenting management's policies and processes, both qualitatively and quantitatively, for defining and managing its capital. These disclosures are included in note 5.

Section 3862 and Section 3863 enhance the existing disclosures for financial instruments. In particular, Section 3862 focuses on the identification of risk exposures and the MLCC's approach to management of these risks, as further discussed in note 4.

Section 3031 replaces the previous inventories standard and provides guidance on the determination of cost, including any write-down to net realizable value. The adoption of this section did not impact the MLCC's financial statements.

Effective April 1, 2008, the MLCC prospectively adopted the amended CICA Section 1400, "General Standards of Financial Statement Presentation". This section requires that management assess the entity's ability to continue as a going concern and to disclose material uncertainties related to the going concern basis of presentation. The application of this section did not impact the MLCC's financial statements.

4. FINANCIAL INSTRUMENTS

Interest on restricted cash of $1,013 is restricted for payment of future pension liabilities and retirement allowances and is recorded as a recovery of pension costs in general and administrative expenses. Interest on obligation under capital lease is included in general and administrative expenses.

CREDIT RISK

Accounts receivable are all current at year end and were fully collected subsequent to year end. Therefore no allowance for uncollectible accounts was accrued by management. Accounts receivable are written-off when management determines that they cannot be collected or they have been outstanding for greater than 120 days.

LIQUIDITY RISK

Liquidity risk is mitigated by collection terms on accounts receivable being set at less than or equal to the payment terms of accounts payable. All accounts payable are due within 30 days of year end. See note 12 for details of other contractual obligations and their maturities.

FOREIGN CURRENCY RISK

The MLCC is exposed to currency risk through inventory purchase transactions that require settlement in foreign currencies. Exposure to fluctuations in exchange rates is mitigated by the policy of adjusting purchase or selling prices to maintain the profit margin approved by the Board of Commissioners.

5. CAPITAL DISCLOSURES

In managing capital, the MLCC focuses on cash and cash equivalents available for operations. The MLCC's objectives are to have sufficient liquid resources available for operations, to provide flexibility to take advantage of opportunities that will advance its purposes and to meet its obligation to transfer its net income to the Province of Manitoba annually. The need for liquid resources is considered in the preparation of an annual budget and in the monitoring of cash flows and actual operating results compared to budget. As at March 31, 2009, the MLCC has met its objective of having sufficient liquid resources to meet its current obligations.

6. INVENTORY

Inventory consists of the following:

	2009	2008
	$	$
Warehouse	**23,743**	23,377
Stores	**12,036**	10,675
	35,779	34,052

The amount of unpaid and unrecorded Customs and Excise duties on owned merchandise held in bond is approximately $3,550 at March 31, 2009 [2008 - $3,858].

7. OTHER INCOME

Other income consists of the following:

	2009	2008
	$	$
Annual licence fees and licence application fees	**1,105**	590
AIR MILES® revenue	**927**	766
Advertising revenue – other	**782**	780
Occasional permit additional fees	**559**	581
Miscellaneous	**451**	717
Administration charges	**317**	305
Occasional permit fees	**229**	237
Border point fee	**154**	159
Supplementary licence fees	**41**	816
Specialty wine store fees	**26**	27
	4,591	4,978

8. GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses consist of the following:

	2009 $	2008 $
Salaries, benefits and pension costs *[note 10]*	**36,677**	35,253
Leased premises – rentals *[note 12]*	**6,374**	5,854
Maintenance and repairs	**2,692**	2,558
Bank charges	**1,930**	1,502
Delivery charges	**1,806**	1,651
Utilities	**1,453**	1,355
AIR MILES® program	**1,182**	1,096
Equipment rentals *[note 12]*	**969**	1,076
Alcohol education	**792**	720
Printing, postage and supplies	**723**	789
Miscellaneous	**701**	500
Protective services	**682**	607
Grants in lieu of taxes	**665**	581
Health and Post Secondary Education Tax levy	**651**	606
Professional fees	**600**	879
Staff training	**552**	461
Advertising and promotions	**452**	432
Community support	**442**	1,450
Travel	**369**	339
Communications	**242**	239
Vehicle expenses	**212**	212
Crown Corporations Council levy	**97**	78
Product analysis	**72**	90
Interest – long-term	**20**	–
	60,355	58,328

9. PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	2009		
	Cost $	**Accumulated Depreciation $**	**Net Book Value $**
Land	**123**	**–**	**123**
Automobiles	**655**	**388**	**267**
Equipment and furnishings	**10,303**	**5,480**	**4,823**
Paving	**419**	**152**	**267**
Systems development	**12,203**	**9,135**	**3,068**
Leasehold improvements	**10,337**	**4,795**	**5,542**
Buildings	**16,972**	**4,113**	**12,859**
Equipment under capital leases	**252**	**50**	**202**
	51,264	**24,113**	**27,151**

	2008		
	Cost $	Accumulated Depreciation $	Net Book Value $
Land	123	—	123
Automobiles	617	368	249
Equipment and furnishings	8,214	4,778	3,436
Paving	326	133	193
Systems development	10,931	8,026	2,905
Leasehold improvements	9,187	4,018	5,169
Buildings	14,819	3,777	11,042
	44,217	21,100	23,117

10. PROVISION FOR EMPLOYEE PENSION BENEFITS

The MLCC maintains a defined benefit pension plan in accordance with the provision of *The Civil Service Superannuation Act* administered by the Civil Service Superannuation Board. An actuarial valuation of the provision for employee pension benefits was conducted by Ellement & Ellement Ltd. Consulting Actuaries as at December 31, 2007. The service to date projected benefit method was used and the liabilities have been extrapolated to March 31, 2009 using a formula provided by the actuary.

	2009 **$**	2008 $
Accrued benefit liability, beginning of year	**51,124**	48,844
Gain based on 2007 actuarial report`	**(1,956)**	—
Benefits accrued	**1,572**	1,506
Interest accrued on benefits	**3,453**	3,416
Benefits paid	**(2,658)**	(2,423)
Manitoba Finance matching pension contributions	**(322)**	(219)
Accrued benefit liability, end of year	**51,213**	51,124
Pension expense	**5,025**	4,922
Employee contributions	**1,509**	1,393
Employer contributions	**2,980**	2,642

The pension expense consists of benefits accrued of $1,572 [2008 - $1,506] and interest accrued on benefits of $3,453 [2008 - $3,416].

The key actuarial assumptions used in determining the MLCC's provision for employee pension benefits were at the following weighted average rates:

	2009 **%**	2008 %
Expected long-term rate of return	**6.50**	6.50
Inflation	**2.50**	2.50
Rate of future compensation increases	**4.25**	4.25

In addition, post retirement indexing is at 1.67%.

The amount of the long-term provision for employee pension benefits of $40,731 as at March 31, 2003, has been funded by the cash advanced by the Province of Manitoba. The funds are held in a trust account and are recorded as restricted cash *[note 2[b]]*.

11. PROVISION FOR RETIREMENT ALLOWANCES

Effective April 1, 1998, the MLCC commenced recording accumulated retirement allowances for its employees. Eligible employees are entitled to receive a retirement allowance equal to one week's pay, to a maximum of 25 weeks, for each year of continuous employment based on the current salary at date of retirement. The provision recorded is calculated based on a formula provided by the Province of Manitoba.

The amount of the opening provision for retirement allowances as at April 1, 1998 of $3,165 has been funded by the cash advanced by the Province of Manitoba. The funds are held in a trust account and are recorded as restricted cash *[note 2[b]]*.

12. COMMITMENTS

[a] The MLCC leases 44 buildings. Leases have expiry dates ranging from 2009 to 2028.

The future minimum annual lease payments for each of the next five years and thereafter are as follows:

Year ending March 31	**$**
2010	4,322
2011	3,757
2012	3,402
2013	3,247
2014	3,088
Thereafter	17,483
	35,299

[b] The MLCC leases computer equipment. Leases on this computer equipment have expiry dates ranging from 2009 to 2011.

The future minimum lease payments for each of the next two years to the expiry of the lease contracts are as follows:

Year ending March 31	**$**
2010	597
2011	294
	891

[c] The MLCC entered into a contract for software, hardware and implementation services associated with the installation of a new point of sale system. The balance of the contractual obligation to be paid in 2010 is $1,545.

13. COMPARATIVE FIGURES

The comparative financial statements have been reclassified from statements previously presented to conform to the presentation of the current year's financial statements.

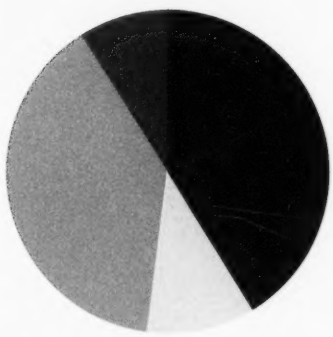
CHARTS AND GRAPHS

PROFIT AND EXPENSE RATIOS (IN THOUSANDS)

Fiscal Years Ending March 31

	2005	2006	2007	2008	2009
Sales	472,134	486,734	521,380	554,769	583,763
Gross Profit	229,842	243,526	259,822	275,226	288,241
Net Profit	185,273	196,238	207,944	219,210	229,164
General and Administrative Expenses	46,706	50,279	53,934	58,328	60,355
Depreciation	2,449	2,448	2,583	2,666	3,313
Gross Profit as % of Sales	48.7%	50.0%	49.8%	49.6%	49.4%
Net Profit as % of Sales	39.2%	40.3%	39.9%	39.5%	39.3%
General and Administrative Expenses as % of Sales	9.9%	10.3%	10.3%	10.5%	10.3%

$229.2 MILLION FOR MANITOBANS



Federal Gov't	$53.0	9%
Merchandise	$242.5	41%
Operating Expenses	$63.7	11%
Provincial Gov't	$229.2	39%

Additional payments to the Province (in millions)

Retail Sales Tax – $ 19.6

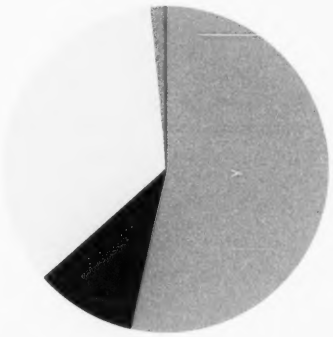
Environmental Protection Tax – $2.0

Waste Reduction & Prevention Tax – $0.5

Additional payments to the Federal Government (in millions)

Goods and Services Tax – $29.7

RETAIL OUTLETS



MLCC Liquor Marts	50
Private Liquor Vendors/ Duty Free Stores	177
Specialty Wine Stores	8
Private Beer Vendors	271

VOLUME SALES (MILLIONS OF LITRES)

	Beer	Spirits	Wine	Coolers/Ciders
2005	70.6	6.3	7.4	2.7
2006	74.2	6.4	7.7	2.6
2007	78.0	6.5	8.2	2.6
2008	79.0	6.7	8.7	2.7
2009	**80.4**	**6.9**	**9.0**	**2.8**

PRODUCT $ SALES (IN MILLIONS)

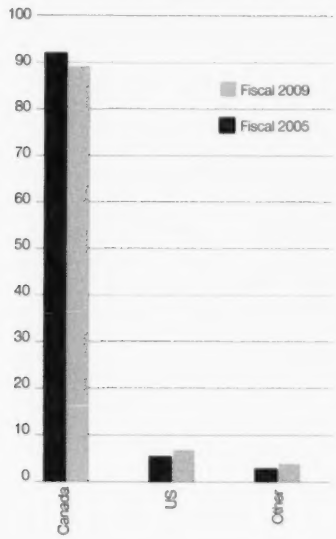
	Beer	Spirits	Wine	Coolers/Ciders
2005	215	164	78	16
2006	215	170	87	15
2007	229	179	97	16
2008	242	190	106	17
2009	**255**	**198**	**112**	**19**

PER CAPITA CONSUMPTION (IN LITRES)

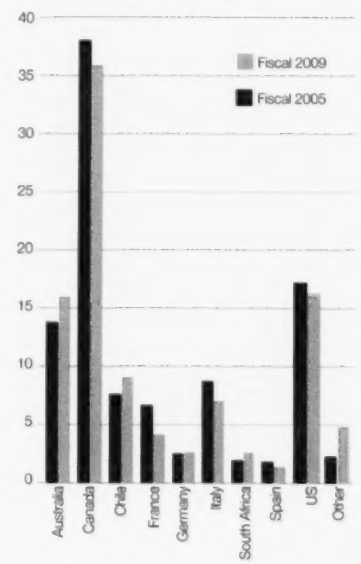
	Beer	Spirits	Wine	Coolers/Ciders
2005	79.9	7.1	8.4	3.1
2006	83.5	7.2	8.7	2.9
2007	87.1	7.3	9.2	2.9
2008	87.5	7.4	9.6	3.0
2009	**88.0**	**7.5**	**9.8**	**3.1**

Source: Manitoba Health Population Report based on population over the age of 17 as of June 1 of each year.

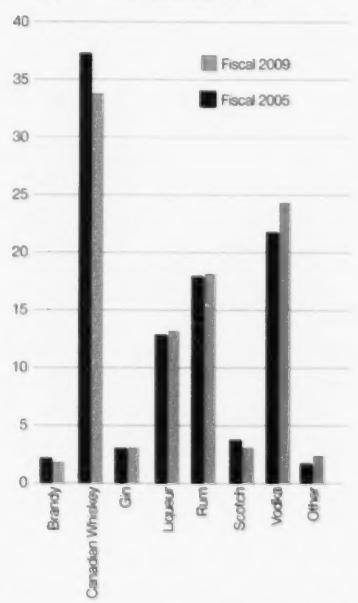
BEER SALES BY COUNTRY
Fiscal 2005 and Fiscal 2009 (%)



WINE SALES BY COUNTRY
Fiscal 2005 and Fiscal 2009 (%)



SPIRIT SALES BY TYPE
Fiscal 2005 and Fiscal 2009 (%)



INSPECTIONS, INVESTIGATIONS AND EDUCATIONAL SEMINARS

	2005	2006	2007	2008	2009
LICENSED PREMISES					
Licensee visits	25,858	23,775*	25,097	26,110	27,112
Licensee requests for service	855	942	1,171	997	1069
Final Inspections	186	234	246	259	256
Application for licence	170	146	143	153	109
Licensees education sessions	84	111	146	100	174
Total	**27,153**	**25,208**	**26,803**	**27,619**	**28,720**
OCCASIONAL PERMITS					
Inspections while in progress	1,576	1,664	1,783	1,582	1,501
Investigations prior to issue	1,415	1,617	1,844	1,838	2,111
Education of hall owners/permittees/public	62	88	73	56	76
Inspection of new banquet halls	55	191**	241**	236	233
Total	**3,108**	**3,560**	**3,941**	**3,712**	**3,921**
PUBLIC INVESTIGATIONS					
Photo ID	884	593	593	880	1,151
Public Complaints	442	382	309	384	313
Total	**1,326**	**975*** **	**902*** **	**1,264**	**1,464**

* Fewer inspections in F06 due to vacancies in inspector positions, and a move to risk-based inspections.

** Effective F06, includes free-standing banquet halls and those located within licensed premises.

*** Effective F06, applications for Photo ID are pre-screened by licensing advisor, resulting in fewer investigations.

NUMBER OF HOTEL REGISTRATIONS & LICENCES

Class of Licence	2005	2006	2007	2008	2009
Hotel Registration	322	318	312	300	301
Retail	297	292	289	275	277
Beverage Room	271	267	262	252	249
Dining Room	1,138	1,148	1,143	1,132	1,116
Transportation	11	11	9	8	8
Cocktail Lounge	466	475	471	483	412
Cabaret	24	26	26	29	30
Spectator Activities	38	40	42	44	45
Private Club	263	262	260	252	252
Canteen	15	15	15	15	15
Sports Facility	151	152	147	151	142
Manufacturer's	37	21	22	22	20
Totals	**3,033**	**3,027**	**2,998**	**2,963**	**2,867**

RECOMMENDED DISCIPLINARY ACTION

	2005	2006	2007	2008	2009
Licensees:					
Administrative					
- warning letters	80	214	259	248	273
- meetings with Manager, Inspection Services	19	14	41	40	44
Total	**99**	**228**	**300**	**288**	**317**
Board					
- disciplinary hearings	29	33	49	29	29
- appeal hearings	3	8	11	1	5
Board Action					
- warnings	5	4	3	3	5
- suspensions	20	26	42	25	21
- cancellations	0	2	1	0	1
- other	1	2	4	2	2
Total	**26**	**34**	**50**	**30**	**29**
Total days suspended	**119***	**67**	**106**	**70**	**38**

Note: Board actions may not equal number of hearings due to appeals carried forward to next fiscal year, or more than one action taken at a hearing.

Permittees/Hall Owners:					
Administrative					
- warnings	12	13	6	6	4
- suspension of privileges	1	2	1	1	8
Total	**13**	**15**	**7**	**7**	**12**

* 85 days suspended attributed to one licensee (suspension began in F03 and terminated in F05).

Breaches of *The Liquor Control Act* are dealt with through a process of progressive discipline.

- Cautions – usually given where there is no previous record (which include educating licensees regarding breach)
- Warning Letter – usually given where there is a record of operation and the breach is of a less serious nature
- Meeting with Manager, Inspection Services – to discuss solutions to the problem
- Licensing Board Hearing – breaches of a more serious nature. Appeals are heard by Board of Commissioners

These disciplinary actions form part of a licensee's record of operation.
Breaches of *The Liquor Control Act* by banquet hall operators and occasional permit holders are normally handled by administration management.

OCCASIONAL PERMITS ISSUED

	2005	2006	2007	2008	2009
Liquor Sold	7,468	7,102	7,020	6,796	6,607
Liquor Complimentary	4,356	4,360	4,316	4,443	4,290
Total	**11,824**	**11,462**	**11,336**	**11,239**	**10,897**

LIQUOR MARTS

The MLCC's 50 Liquor Marts operate at the following locations:

BEAUSEJOUR
619 Park Avenue

BRANDON
10th & Victoria Avenue
Brandon Shoppers Mall
Corral Centre 805-18th St. N

CARMAN
3 Centre Avenue West

CHURCHILL
203 Laverendrye Avenue

DAUPHIN
130 First Avenue NW

FLIN FLON
26 Hapnot Street

GIMLI
52 Centre Street

KILLARNEY
516 Broadway Avenue

LAC DU BONNET
99 – 2nd Avenue

MINNEDOSA
16 – 2nd Avenue NW

MORDEN
331 North Railway Street

NEEPAWA
393 Mountain Avenue

PINE FALLS
17 Pine Street

PORTAGE LA PRAIRIE
300 Saskatchewan Avenue

ROBLIN
124 Main Street West

RUSSELL
202 Shell River Avenue North

SELKIRK
377 Main Street

STEINBACH
118 PTH 12 N

SWAN RIVER
716 Main Street

THE PAS
249 Fischer Avenue

THOMPSON
131 Selkirk Avenue

VIRDEN
197 – 3rd Avenue

WINNIPEG

Bunn's Creek Shopping Mall
2001 Henderson Highway

Charleswood
1D – 3900 Grant Avenue

cityplace
333 St. Mary Avenue

Crestview Shopping Centre
170 – 3393 Portage Avenue

Dominion Shopping Centre
21 Marion Street

Eastwinds Shopping Centre
23 – 1530 Regent Avenue

Fort Garry
1235 Pembina Highway

Fort Richmond
2855 Pembina Highway

Garden City Square
Unit 2 – 915 Leila Avenue

Grant Park Plaza Shopping Centre
1120 Grant Avenue

Hargrave & Ellice
325 Ellice Avenue

Kenaston Crossing
8 – 1650 Kenaston Boulevard

Madison Square
P – 1600 Ness Avenue

Main & Jefferson
1662 Main Street

Main & Pritchard
1005 Main Street

Northdale Shopping Centre
965A Henderson Highway

Portage & Ainslie
2549 Portage Avenue

Portage & Burnell
923 Portage Avenue

Rivergrove
2615 Main Street

River & Osborne
469 River Avenue

St. Vital Square
5 – 827 Dakota Street

Southdale Shopping Centre
21 – 67 Vermillion Road

Southglen
Unit A – 730 St. Anne's Road

Transcona Square
1 – 620 Kildare Avenue East

Tuxedo
168 – 2025 Corydon Avenue

Tyndall Market Mall
850 Keewatin Street

LIQUOR VENDORS

Liquor vendors are partners with the MLCC. By combining liquor sales with their existing business, these local entrepreneurs help to ensure their viability. There are currently 173 liquor vendors operating in Manitoba.

Alexander
Stahl's Food Mart

Alonsa
Zdan's Family Store

Altona
Altona Cleaners Inc.

Anola
Anola Lucky Dollar

Arborg
Arborg Pharmacy

Argyle
Meridian Trail General Store

Ashern
Ashern Pharmacy

Austin
Kim's Familymart Ltd.

Baldur
Baldur Variety Store

Belmont
Belmont Hardware

Benito
Benito Pharmasave

Big Whiteshell Lake
Big Whiteshell Lodge (2000) Inc.

Birch River
Birchwood Grocery

Bird River
Tall Timber Lodge Ltd.

Birds Hill
Birds Hill Store

Birtle
Birtle Pharmacy

Boissevain
Hazlewood Enterprises

Brunkild
Rawleigh's Store

Bruxelles
Marginet's Grocery & Hardware

Camperville
McKay Grocery

CFB Shilo
Canex Super Mart

Carberry
Spud City Food Mart Ltd.

Cartwright
Cartwright Health Centre

Clandeboye
Clandeboye Store

Clearwater Lake
Wally's Place

Cowan
Kolisnyk's General Store

Cranberry Portage
Streamer Hardware

Cypress River
Cypress River Lucky Dollar

Deloraine
Myrna's Fabric Boutique

Dominion City
Dominion City Food Town

Dugald
Dugald Convenience Store

Elgin
Mack & Sydney's

Elie
Elie Grocery Store

Elkhorn
Twin Valley Co-op Ltd.

Elm Creek
Elm Creek Co-operative Oil & Supplies Ltd.

Elma
Elma Country Store

Emerson
Emerson Bigway

Erickson
Mountain Park Pharmacy

Eriksdale
Eriksdale Shop Easy

Ethelbert
Bird's Corner Store

Falcon Lake
Lumber One Building Supplies

Fisher Branch
Fisher Branch Health Centre

Fraserwood
J & J Store

Garson
Garson Grocery Ltd.

Gilbert Plains
Gilbert Plains Pharmacy

Gillam
Trappers Shack

Gladstone
Gladstone Pharmacy

Glenboro
Glenboro Pharmacy Ltd.

Glenella
Preisentanz's General Store

Glenora
Glenora Mall

Grand Marais
Grand Marais Village Store

Grand Rapids
Grand Rapids Esso

Grandview
Grandview Home Hardware

Great Falls
Great Falls Foods

Grindstone
Grindstone General Store

Gull Lake
Sherwood Grocery

Gypsumville
Rawluk's Grocery & Pro Hardware

Hadashville
Kiedyk's Convenience Store

Hamiota
Rawlings Home Hardware

Hartney
The Hartney Variety Store

Hecla
Hecla Island General Store

Hodgson
Buckskin Trading Post

Holland
Holland Home Hardware

Ile Des Chenes
Ile Des Chenes Country Store

Inglis
Jordie's Food Mart

Inwood
Inwood Food Town

Kelwood
Kelwood Store

Kenton
Houston's

Komarno
Komarno Quality Store

La Broquerie
Le Bon Ami

La Salle
Jeni's Food & Hardware

Lake of the Prairies
Kilman Resort

Lake Metigoshe
Turtle Mountain All Season Resort

Langruth
Farncombe's Food Centre

Laurier
Molgat Shopping Centre

Leaf Rapids
Kings Health & Variety

Lee River
Osprey Landing General Store

Letellier
Gallant's Lucky Dollar

Lockport
Lockport Grocery

Lorette
Dauphin Trail Country Store Inc.

Lundar
Lundar Pharmacy Ltd.

Lynn Lake
Clarke's Health & Variety

MacGregor
MacGregor Lo-Cost (2004)

Manigotagan
Kara's Convenience

Manitou
Manitou Variety & Health

Mariapolis
Pouteau Foods

McAuley
McAuley Country Grocery
Co-op Ltd.

McCreary
Reischek's Pharmacy

Melita
Liquid World

Miami
Westaway's Pharmacy

Miniota
Miniota C-Store

Minitonas
Nemetchek Enterprises (1992)

Minto
Minto Community Market

Moosehorn
Moosehorn Consumer Co-op Ltd.

Morris
Morris Super Variety

Narrows
The Narrows General Store

Newdale
Strathclair Co-Op (Newdale Branch)

Ninette
The Grocery Box

Niverville
Niverville Bigway Foods

Notre Dame
Notre Dame Shopping Centre

Nutimik Lake
Nutimik Lodge

Oak Lake
Valleyview Oak Lake Co-op

Oakbank
Family Fare

Oakburn
Oak-site Foods

Oakville
Oakville Super Market

Onanole
B & D Hardware Inc.

Pierson
Edward Consumers
Co-Operative Ltd.

Pilot Mound
Dobson's Foods Ltd.

Pinawa
Solo Market

Pine River
Semeniuk's Groceteria

Pipestone
Main Street Market

Plum Coulee
Tri-Coulee Investments

Plumas
Plumas Stop & Shop

Pointe du Bois
Pam's Place

Poplarfield
King Buck Inn

Rapid City
Rapid City Insurance Services

Rathwell
Rathwell Solo & Hardware

Rennie
Rennie General Store (2005)

Reston
Reston Drugs

Richer
Burnells Food Plus

Ridgeville
Ridgeville Cooperative Community Club (Beer only)

Rivers
Rivers Super Thrifty Drug Mart Ltd.

Riverton
The Other Place

Rock Lake Beach
Rock Lake Beach Store (2008)

Roland
Roland General Store

Rorketon
Tracy's Insurance Agencies

Rossburn
L.P.K. Enterprises

St. Adolphe
St. Adolphe Esso

St. Ambroise
Ducharme's General Store

St. Claude
Philippot's Shop Easy Foods

St. Eustache
Magasin Beaudin Store

St. Francois Xavier
S.F.X. Country Store

St. Jean Baptiste
St. Jean Home Centre

St. Laurent
Depanneur Entre-Lacs

St. Lazare
Fafard's Place

St. Malo
St. Malo Co-operative Ltd.

St. Pierre-Jolys
St. Pierre Bigway

Ste. Agathe
De'Panneur Cheyenne Convenience Store

Ste. Anne
Ste. Anne Sundries Ltd.

Ste. Rose du Lac
Ste. Rose Variety Shop (2001)

Sandy Lake
Sandy Lake Hardware

Sanford
Sanford Lumber & Building Supplies

Sarto
Sarto General Store

Seven Sisters
Tirschman's Esso

Shoal Lake
Shoal Lake Pharmacy

Sifton
Boguski Grocery

Snow Lake
Cornerview Enterprises Ltd.

Somerset
Crossroads Grocery

Souris
Souris Valley Foods

Sprague
Carl's Solo Store

Springfield
Garven Convenience

Starbuck
"Dawn 'Til Dusk" Convenience Store

Stonewall
Stonewall Pharmacy Ltd.

Stony Mountain
Pick 'N Pay

Strathclair
Strathclair Consumers Co-op Ltd.

Swan Lake
B & B Store

Teulon
Teulon Pharmacy

Tolstoi
Tolstoi Super Mart

Traverse Bay
Traverse Bay Corner Store

Treherne
Treherne Pharmacy

Vassar
Vassar Coner Store

Vita
Sumthing Special Florist & Gift Shop

Wabowden
Dwyer's General Store

Warren
Pete's General Store

Waskada
Wilbro Enterprises Inc.

Waterhen
Waterhen General Store

Wawanesa
Gullett Pro Hardware

West Hawk Lake
West Hawk Lake Resort

Whitemouth
Whitemouth Sundries

Winnipeg Beach
Ford's Groceries

Winnipegosis
Winnipegosis Meat Market

Woodlands
Studler's Enterprises Inc.

Woodridge
Vintage Corner Store

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